



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

TO: EDITORS, NEWS DIRECTORS
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5 INDICTED, 3 PLEAD GUILTY IN FRAUD CASE Baptist Foundation Case Believed to be Largest Affinity Fraud Case in U.S. History

PHOENIX – The case against several Baptist Foundation of Arizona officials moved a step closer to conclusion in a court proceeding today. Five ex-Baptist Foundation officials were indicted by an Arizona State Grand Jury on 32 separate counts of fraud, racketeering and theft. Three other individuals pled guilty to felony charges and agreed to cooperate with the State of Arizona and testify for the State in related proceedings.

The five people charged in the indictments include:

- William Pierre Crotts, former president and CEO of the Baptist Foundation of Arizona (BFA)
- Thomas Dale Grabinski, former senior vice president and general counsel for BFA
- Lawrence Dwain Hoover, former BFA board member
- Harold Dewayne Friend, former BFA board member
- Richard Lee Rolfes, assistant secretary of Christian Financial Partners and officer of New Church Ventures

The three who entered guilty pleas are:

- Donald Dale Deardoff who served as BFA treasurer, senior vice president and controller.
- Edgar Alan Kuhn, served as president and chairman of the board of BFA affiliates EVIG, New Church Ventures, Christian Financial Partners Inc. and also as director of New Church Ventures.
- Jalma W. Hunsinger who served as president and director of New Church Ventures and sole shareholder of BFA affiliate ALO, also formerly a board member with BFA.

The Arizona Corporation Commission's Securities Division ordered the Baptist Foundation of Arizona (BFA) to cease and desist from violations of the Arizona Securities Act in August of 1999. BFA filed for bankruptcy protection in November of the same year. The bankruptcy filing is believed to be the largest filing for any U.S. non-profit organization.

The Commission's Securities Division conducted a full investigation into the structure of the foundation and the activities and sales practices of BFA officials. "Our investigators turned over several thousand pages of evidence to the grand jury," explained Mark Sendrow, director of the Commission's Securities Division. "It was this evidence that made today's proceedings before Judge Ballinger possible."

Maricopa County Superior Court Judge Eddward Ballinger, Jr. heard the pleas in a public proceeding this afternoon.

Approximately 13,000 people, many of whom were elderly, invested millions of dollars with the foundation. At the time of the bankruptcy filing, the foundation owed 13,000 investors close to \$590 million. Investors were told that their accounts were backed by collateral and that the accounts paid interest greater than most banks. Profits from the investments, investors were told, would go to support various Baptist church activities. In reality, BFA needed a continuous stream of new investors to meet its investment commitments to earlier investors.

The grand jury indictments allege that the defendants participated in a fraudulent investment scheme by failing to disclose the financial condition of the foundation and its subsidiaries. The indictments also allege that the five named individuals failed to disclose how the funds were used and how the investments were backed with collateral.

"The BFA case may prove to be the largest affinity fraud – when a victim's religious or ethnic identity is used to gain their trust while the perpetrators drain their life's savings away – in U.S. history," said Arizona Corporation Commissioner Jim Irvin. "I am proud of the work our Securities Division did to deliver solid evidence to the grand jury which led to today's indictments."

Speaking at a joint press conference with the Arizona Attorney General's office, Commission Chairman Bill Mundell said "At the very least, there appears to be strong evidence of investment sales to a trusting and unsuspecting target audience. Investments were sold to young people and seniors who believed in

their church and believed that their money was secure.” He added, “I’ll remind you – thousands of people like your mother, your neighbor, your child’s teacher – lost a staggering \$550 million in what appears to have been a game of ‘let’s hide the money.’ It was little more than a shell game.”

Commissioner Marc Spitzer, who was serving in the Arizona State Senate when the initial Commission action took place, says he is following the proceedings closely. “This case came up a lot during my campaign. I will work to ensure that the Commission and Attorney General’s office work together to restore as much money as possible to the investors.”

If you, or someone you know, has invested in the Baptist Foundation of Arizona and needs additional information about the court proceedings, please contact the Office of the Attorney General at 602-542-8461 or, outside of Maricopa, dial toll-free at 1-866-823-6577.

The public is encouraged to check out an investment proposal by contacting the Commission’s Securities Division. Inside Maricopa County, call 602-542-4242 or from elsewhere in Arizona call 1-877-811-3878. The Commission’s website (www.ccsd.cc.state.az.us) also offers helpful information on saving and investing.

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